

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 L-03 FRB-03 OMB-01 ITC-01
SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00
EB-08 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-05
TRSE-00 CEA-01 SS-15 AF-10 ARA-10 EA-10 NEA-10
/130 W

-----127388 221844Z /50

R 221809Z DEC 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 3951
INFO ALL EC CAPITALS
USMISSION GENEVA
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 19204

USEEC

E.O.11652: GDS
TAGS: UNCTAD, ETRD, EEC, OECD
SUBJECT: STATUS OF EC CONSIDERATION OF COMMON FUND AND
OTHER NORTH-SOUTH ISSUES

REF: (A) BRUSSELS 18667, (B) BRUSSELS 19137 (NOTAL),
(C) BRUSSELS 18716

1. SUMMARY: THE EC COUNCIL HAS ASKED THE COMMISSION
TO PREPARE RECOMMENDATIONS FOR A COMPREHENSIVE COMMUNITY
STRATEGY ON NORTH-SOUTH ISSUES, WITH EMPHASIS ON THE
COMMON FUND. THE COMMISSION HAS DECIDED THAT THERE IS
NO PRACTICAL ALTERNATIVE TO TRYING TO REACH AGREEMENT
WITH THE G-77 ON A COMMON FUND AND IS CONSIDERING
POSSIBLE CONCESSIONS, NOTABLY IN REGARD TO "OTHER
MEASURES" AND FINANCING OF THE FUND. IT PROBABLY WILL
ALSO SUGGEST A SPECIAL EFFORT IN REGARD TO CONCLUSION
OF ICA'S FOR SOME SELECTED COMMODITIES. END SUMMARY.
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2. EC COMMISSIONER CHEYSSON RAISED GENERAL NORTH-SOUTH
RELATIONS AT THE DECEMBER 19-20 COUNCIL OF FOREIGN
MINISTERS, RECALLING THAT AT THE NOVEMBER SESSION THE
FOREIGN MINISTERS HAD AGREED TO A GERMAN SUGGESTION
THAT THE COMMUNITY SHOULD DEVELOP A COMPREHENSIVE
STRATEGY ON ALL NORTH-SOUTH ISSUES RATHER THAN REACT

TO EACH ISSUE SEPARATELY. CHEYSSON NOTED THE NEED TO PREPARE SUCH A STRATEGY PRIOR TO THE UNCTAD MINISTERIAL TDB SCHEDULED FOR GENEVA IN MARCH. THE COUNCIL COMMUNIQUE STATES THAT THE FOREIGN MINISTERS AGREED "TO TAKE A GENERAL LOOK AT NORTH-SOUTH RELATIONS" AT A COUNCIL MEETING IN JANUARY OR FEBRUARY AND TO CONSIDER THE SPECIFIC ISSUE OF THE COMMON FUND AT THE MARCH EC COUNCIL OF FOREIGN MINISTERS. THE MEMBER STATES STRESSED THAT THEY ARE EXPECTING THE COMMISSION TO PREPARE THE NECESSARY BACKGROUND PAPERS AND RECOMMENDATIONS FOR THESE DELIBERATIONS.

3. IN ACCORDANCE WITH THE EARLIER COUNCIL DECISION, THE COMMISSION WILL PREPARE A FACTUAL REPORT ON THE STATUS OF INDIVIDUAL NORTH-SOUTH ISSUES BEFORE THE END OF DECEMBER. IT IS ALSO PREPARING AN ANALYTICAL PAPER WITH POLICY RECOMMENDATION FOCUSING PRIMARILY ON ISSUES FOR THE TDB (LDC DEBT RELIEF, COMMON FUND AND COMMODITY AGREEMENTS) FOR CONSIDERATION BY THE EC COUNCIL'S WORKING GROUP ON NORTH-SOUTH ISSUES IN JANUARY.

4. ACCORDING TO COMMISSION SOURCES, EC COMMISSIONER CHEYSSON HAS REJECTED THE OPTION IN THE INFORMAL COMMISSION PAPER REPORTED PARA 4C, REF A THAT THE GROUP-B COUNTRIES SHOULD CONSIDER AN ALTERNATIVE APPROACH TO MEET THE GOALS THE G-77 BELIEVE WOULD BE SERVED BY A CONFIDENTIAL

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COMMON FUND. CHEYSSON BELIEVES THAT THE COMMON FUND APPROACH IS TOO ADVANCED AND THAT THE G-77 ARE STILL TOO POLITICALLY COMMITTED TO IT AS THE "KEYSTONE" IN THEIR APPROACH TO COMMODITY MATTERS.

5. FURTHERMORE, OUR SOURCES INDICATE THAT THEY ARE SOMEWHAT REASSURED BY RECENT SIGNS THAT GROUP-B COMPROMISES TO OBTAIN G-77 AGREEMENT TO A COMMON FUND MAY NOT BE AS GREAT AS FEARED AT THE TIME OF SUSPENSION OF THE GENEVA NEGOTIATIONS. FOR EXAMPLE, BOTH JAMAICA'S WALKER AND UNCTAD'S COREA APPEARED RELATIVELY MODERATE IN NEW YORK. RECENT CONVERSATIONS BY DEPUTY DIRECTOR FOR EXTERNAL AFFAIRS CASPARI WITH ASIAN COUNTRIES HAVE LED HIM TO BELIEVE THAT IF GROUP-B COULD COME UP WITH "REASONABLE COMPROMISES", THE ASIAN, LATIN AMERICAN, AND OTHER MODERATES IN THE G-77 COULD BRING THE AFRICANS AND OTHER "EXTREMISTS" IN THE G-77 AROUND. COMMISSION OFFICIALS FURTHER BELIEVE THAT THEY HAVE TO STICK TO THE COMMON FUND AND COMMODITY AGREEMENTS SINCE THEY ARE VIRTUALLY THE ONLY REMAINING NORTH-SOUTH AREAS IN WHICH PROGRESS IS POSSIBLE AS AGREEMENT ON DEBT RELIEF APPEARS MOST UNLIKELY. THEY FEEL THAT GROUP-B

COUNTRIES WILL PROBABLY HAVE TO TAKE THE INITIATIVE ON NEW APPROACHES TO AN ACCEPTABLE COMMON FUND SINCE A REASONABLE INITIATIVE FROM THE G-77 APPEARS MOST UNLIKELY BECAUSE OF THEIR INTERNAL DIVISIONS.

6. WHILE STRESSING THAT THERE IS NOT INTERNAL COMMISSION AGREEMENT AS TO HOW MUCH GROUP-B WILL HAVE TO GIVE, OFFICIALS CONCERNED WITH THE COMMON FUND ARE TENTATIVELY THINKING IN TERMS OF SUGGESTING AT THE PROPER TIME ACCEPTANCE OF A "SECOND WINDOW" BASED ON VOLUNTARY CONTRIBUTIONS. (A SUGGESTION BY RUSSELL ON POSSIBLE MANDATORY TOKEN CONTRIBUTIONS WILL PROBABLY BE DROPPED.) THIS "SECOND WINDOW" WOULD FINANCE "OTHER MEASURES" FOR

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COMMODITIES AND NOT REPEAT NOT "COORDINATE" SUCH MEASURES FINANCED ELSEWHERE SINCE THE COMMISSION BELIEVES A MANDATE TO COORDINATE COULD LEAD TO AN EFFORT BY THE COMMON FUND TO TRY TO DOMINATE WORK ON COMMODITIES DONE IN OTHER FORUMS.

7. THESE OFFICIALS WILL PROBABLY ALSO SUGGEST A DECREASE OF THE PERCENTAGE OF THE ICA'S MAXIMUM FINANCIAL REQUIREMENTS WHICH HAVE TO BE DEPOSITED WITH THE COMMON FUND AND ACCEPTANCE OF INDIRECT FINANCING OF THE FUND THROUGH GOVERNMENT GUARANTEES. THE COMMISSION IS FURTHER CONSIDERING WHETHER IT SHOULD SUGGEST THAT SOME DIRECT FINANCING MAY ALSO BE NECESSARY.

8. THE COMMISSION OFFICIALS INTEND TO RECOMMEND THAT GROUP-B COUNTRIES HOLD OUT THE HOPE OF EVENTUAL CONCLUSION OF INTERNATIONAL COMMODITY AGREEMENTS (ICA'S) FOR A FEW SELECTED COMMODITIES WITH BUFFER STOCKS. THEY BELIEVE NATURAL RUBBER IS PROBABLY "RIPEST" FOR PROGRESS TOWARD AN ICA ALTHOUGH THEY ARE SOMEWHAT PUZZLED BY WHAT
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THEY BELIEVE IS AN UNEXPECTED US UNWILLINGNESS TO START NEGOTIATIONS (REF C). A SOMEWHAT MORE FORTHCOMING ATTITUDE IN REGARD TO COPPER MAY ALSO BE DESIRABLE, AS WOULD A POSSIBLE WILLINGNESS TO CONSIDER ICA'S TO COORDINATE NATIONALLY-HELD STOCKS OF JUTE AND HARD FIBERS AND, CONCEIVABLY, TEA.

9. COMMISSION OFFICIALS INTEND TO RECOMMEND THAT, WHILE EXPRESSING WILLINGNESS TO COMPROMISE AT THE RIGHT MOMENT ALONG THE LINES DESCRIBED ABOVE, GROUP-B SHOULD INSIST THAT NO COMPROMISE IS POSSIBLE IN REGARD TO THE MANAGEMENT AND DECISION-MAKING PROCESS IN THE COMMON FUND IN ORDER TO PREVENT ITS DOMINATION BY THE G-77.

10. COMMISSION OFFICIALS PROMISED TO PROVIDE A COPY OF THE REVIEW PAPER OF NORTH-SOUTH ISSUES AS SOON AS IT IS READY, AND REPEATED THEIR DESIRE FOR CLOSE CONSULTATION WITH US OFFICIALS AS THEY FORMULATE THEIR POLICY RECOMMENDATIONS FOR THE COMMUNITY (REF B). HINTON

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